

# Inspector General

United States  
Department of Defense



Independent Auditor's Report on the Attestation of  
the Existence, Completeness, and Rights of the  
Department of the Navy's Aircraft

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE <b>31 MAY 2012</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2012 to 00-00-2012</b>	
4. TITLE AND SUBTITLE <b>Independent Auditor's Report on the Attestation of the Existence, Completeness, and Rights of the Department of the Navy's Aircraft</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Department of Defense Office of Inspector General, 4800 Mark Center Drive, Alexandria, VA, 22350-1500</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>8</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

## Additional Copies

To obtain additional copies of this report, visit the Web site of the Department of Defense Inspector General at <http://www.dodig.mil/audit/reports> or contact the Secondary Reports Distribution Unit at (703) 604-8937 (DSN 664-8937) or fax (571) 372-7469.

## Suggestions for Audits

To suggest or request audits, contact the Office of the Deputy Inspector General for Auditing by phone (703) 604-9142 (DSN 664-9142), by fax (571) 372-7469, or by mail:

Department of Defense Office of Inspector General  
Office of the Deputy Inspector General for Auditing  
ATTN: Audit Suggestions/13F25-04  
4800 Mark Center Drive  
Alexandria, VA 22350-1500



## Acronyms and Abbreviations

AIRRS	Aircraft Inventory and Readiness Reporting System
APSR	Accountable Property System of Record
FM&C	Financial Management and Comptroller



**INSPECTOR GENERAL**  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500

May 31, 2012

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE  
(COMPTROLLER)/CHIEF FINANCIAL OFFICER, DOD  
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL  
MANAGEMENT AND COMPTROLLER)

SUBJECT: Independent Auditor's Report on the Attestation of the Existence,  
Completeness, and Rights of the Department of the Navy's Aircraft  
(Report No. DODIG-2012-097.)

We are providing this report for information and use. No written response to this report was required. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8905.

A handwritten signature in cursive script, reading "Amy J. Frontz", is positioned above the printed name.

Amy J. Frontz, CPA  
Principal Deputy Inspector General  
for Auditing





**INSPECTOR GENERAL**  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500

May 31, 2012

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE  
(COMPTROLLER)/CHIEF FINANCIAL OFFICER, DOD  
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL  
MANAGEMENT AND COMPTROLLER)**

**SUBJECT: Independent Auditor's Report on the Attestation of the Existence,  
Completeness, and Rights of the Department of the Navy's Aircraft  
(Report No. DODIG-2012-097)**

We have examined management's assertion of audit readiness for the existence, completeness, and rights of the Department of the Navy's (Navy's) aircraft as of December 31, 2011. Navy management is responsible for its assertion of audit readiness. Our responsibility is to express an opinion on the assertion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards as stated in the Government Accountability Office's "Government Auditing Standards," July 2007. Those standards require examining, on a test basis, evidence supporting the Navy's assertion of audit readiness of the existence, completeness, and rights of their mission-critical assets and performing other procedures we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion on management's assertion.

In our opinion, the Navy's assertion of audit readiness for the existence, completeness, and rights of its aircraft as of December 31, 2011, is stated fairly, in all material respects, based on management having met its assertion responsibilities stated above.

Internal controls are important for safeguarding assets. Management designs internal controls to provide reasonable assurance that unauthorized acquisition, use, or disposition of assets will be prevented or detected and corrected in a timely manner. During our examination, we identified a reporting internal control deficiency.

We performed our examination using information prepared by the Assistant Secretary of the Navy Financial Management and Comptroller (Navy FM&C) in the audit readiness assertion for the existence, completeness, and rights of the Navy's mission-critical assets as of September 30, 2010. Navy FM&C identified the Aircraft Inventory Readiness and Reporting System (AIRRS) as the accountable property system of record (APSR) to support its assertion for aircraft. However, AIRRS is not an APSR and does not meet the requirements in DoD Instruction 5000.64 "Accountability and Management of DoD

Equipment and Other Accountable Property,” May 19, 2011. AIRRS did not include valuation, depreciation, useful life, and general ledger classification. Navy FM&C relied on the Defense Property Accountability System for this information. Collectively, the two systems provide the required elements of an APSR. However, Navy FM&C did not identify, in its assertion, the Defense Property Accountability System as a system that provided data elements necessary in the reporting process and as required for an APSR.

Furthermore, Navy FM&C personnel did not coordinate the assertion package with the AIRRS Program Office to obtain the aircraft inventory. As a result, Navy FM&C reported an incorrect quantity of aircraft as of December 31, 2011, because personnel were not aware of the AIRRS reporting cycle. When developing the APSR for its aircraft, the Navy must include all systems that support the entire reporting cycle. The Navy can further demonstrate sustainability by documenting all systems used to support the requirements of an APSR, thus addressing the reporting control deficiency identified for aircraft.

We provided an advance copy of this report to the Assistant Secretary of the Navy (FM&C), who provided comments. We considered the comments and made changes as appropriate. This report is intended solely for the information and use of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, and the Assistant Secretary of the Navy (FM&C), and it is not intended to be and should not be used by anyone else. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, reading "Amy J. Frontz". The signature is cursive and fluid, with the first name "Amy" and last name "Frontz" clearly legible.

Amy J. Frontz, CPA  
Principal Deputy Inspector General  
for Auditing







# Inspector General Department of Defense

